



**INVESTOR RELATIONS**

# 2Q 2019 Earnings Release

**Aug 2, 2019**



**KUMHO  
PETROCHEMICAL**



The business result for the 2nd quarter of 2019 is currently under the audit process, however this is presented purely for the purposes of investors' convenience.

Hence, please be advised that some of the contents may be altered in the course of audit.

Forecasts and projections contained in this material are based on current business environments and management strategies, so these may differ from the actual result upon changes and unaccounted variables.



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# 2Q 2019 Business Results

## Income Statements

(Unit: KRW bn)

| Classification   | 19.2Q                   | 19.1Q            | QoQ   | 18.2Q            | YoY    |
|------------------|-------------------------|------------------|-------|------------------|--------|
| Sales            | <b>1,297.1</b>          | 1,275.1          | 1.7%  | 1,441.8          | -10.0% |
| Operating Profit | <b>138.9</b><br>(10.7%) | 144.2<br>(11.3%) | -3.7% | 153.5<br>(10.7%) | -9.5%  |
| EBITDA           | <b>187.3</b><br>(14.4%) | 192.9<br>(15.1%) | -2.9% | 206.9<br>(14.4%) | -9.5%  |
| Pre-tax Income   | <b>150.5</b><br>(11.6%) | 143.4<br>(11.2%) | 5.0%  | 181.1<br>(12.6%) | -16.9% |
| Net Income       | <b>115.2</b><br>(8.9%)  | 113.9<br>(8.9%)  | 1.1%  | 175.3<br>(12.2%) | -34.3% |
| Equity Income    | <b>10.4</b>             | 10.2             | 1.5%  | 41.2             | -74.7% |

\* Net Income is based on Controlling interests

# 2Q 2019 Business Results

## Balance Sheet

(Unit: KRW bn)

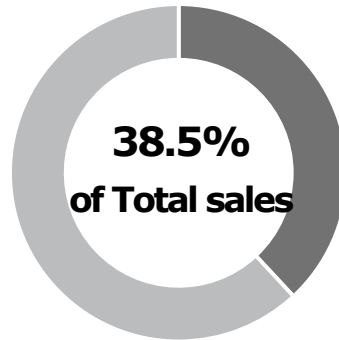
| Classification                         | 19.2Q                | 18<br>(End)          | Change            |
|--|----------------------|----------------------|-------------------|
| <b>Asset</b><br>(Cash and equivalents) | 4,780.0<br>(298.6)   | 4,616.7<br>(101.8)   | 3.5%<br>(193.3%)  |
| <b>Liabilities</b><br>(Debt)           | 2,221.7<br>(1,279.3) | 2,268.6<br>(1,457.0) | -2.1%<br>(-12.2%) |
| <b>Shareholder's Equity</b>            | 2,558.3              | 2,348.1              | 8.9%              |
| <b>Liabilities/<br/>Equity (%)</b>     | 86.8%                | 96.6%                | -9.8%p            |

## Financial Ratios

| Classification                             | 19.2Q | 18<br>(End) | Change  |
|--|-------|-------------|---------|
| <b>Debt/Equity</b>                         | 50.0% | 62.1%       | -12.0%p |
| <b>Net Debt<br/>/Equity</b>                | 38.3% | 57.7%       | -19.4%p |
| <b>Interest<br/>Coverage<br/>Ratio (x)</b> | 12.1  | 9.7         | 2.4     |
| <b>ROE</b>                                 | 18.7% | 23.4%       | -4.8%p  |
| <b>ROA</b>                                 | 9.8%  | 10.7%       | -0.9%p  |

# Divisional Results & Outlook

## Synthetic Rubbers

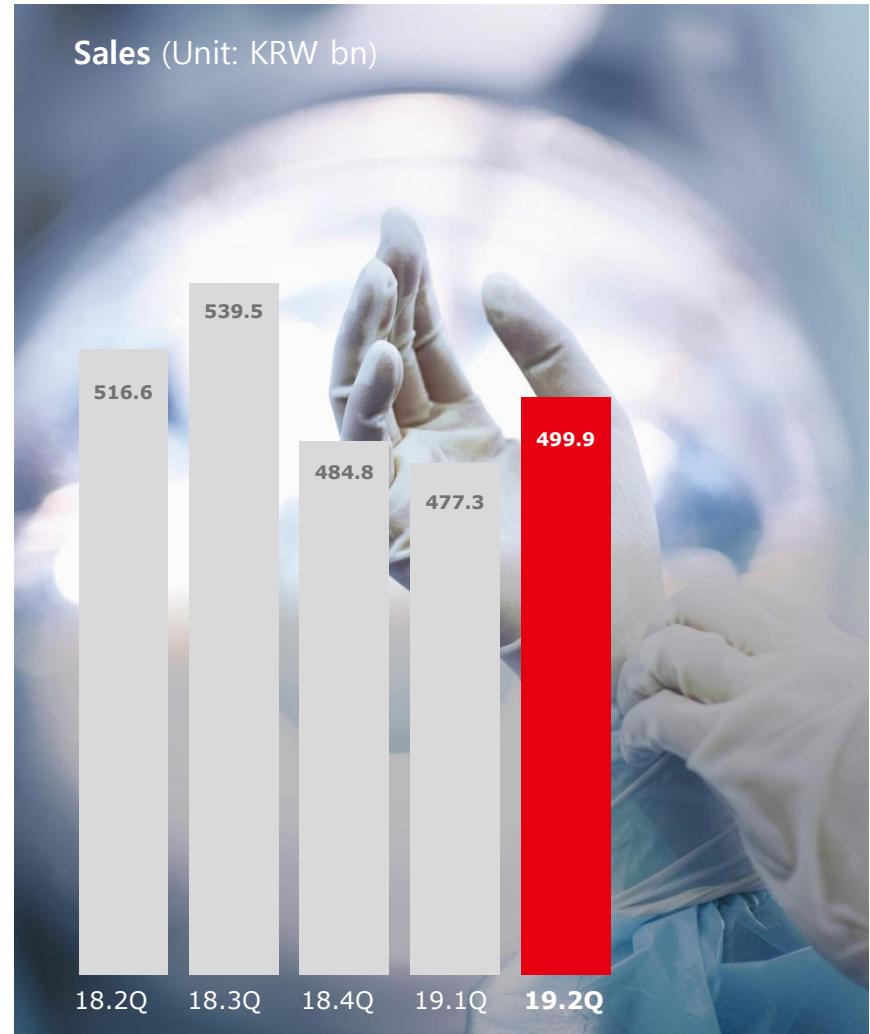


## 2Q Earnings Review

- Increase in sales volume of general-purpose products and slight improvement in profitability due to spread expansion.
- Maintained profitability for NB Latex, NBR, SBS with solid demand.

## 3Q Outlook

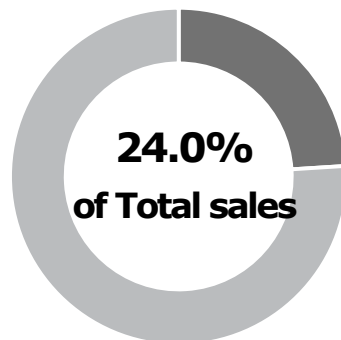
- BD: The price is forecasted to be strong due to regular maintenance in Asia, trouble in Japan and high usage of LPG cracking.
- Despite the rise in BD, SBR/BR price is expected to be weak because of low demand for automotive/tire industry.





# Divisional Results & Outlook

## Synthetic Resins



## 2Q Earnings Review

- Increase in PS sales volume for home appliances and improvement in profitability.
- Slight decrease in ABS sales volume for automotive, compounding due to US-China trade war.

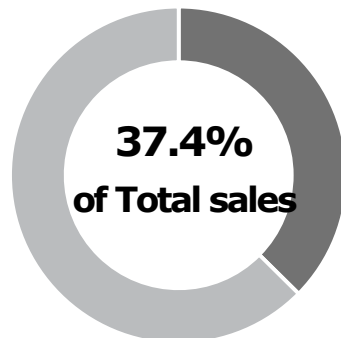
## 3Q Outlook

- SM: Demand is expected to decline during low season, but the price is forecasted to remain flat due to regular maintenance in China and Europe.
- ABS/PS price is expected to be weak because of low demand and on-going uncertainty in the market.



# Divisional Results & Outlook

## Others

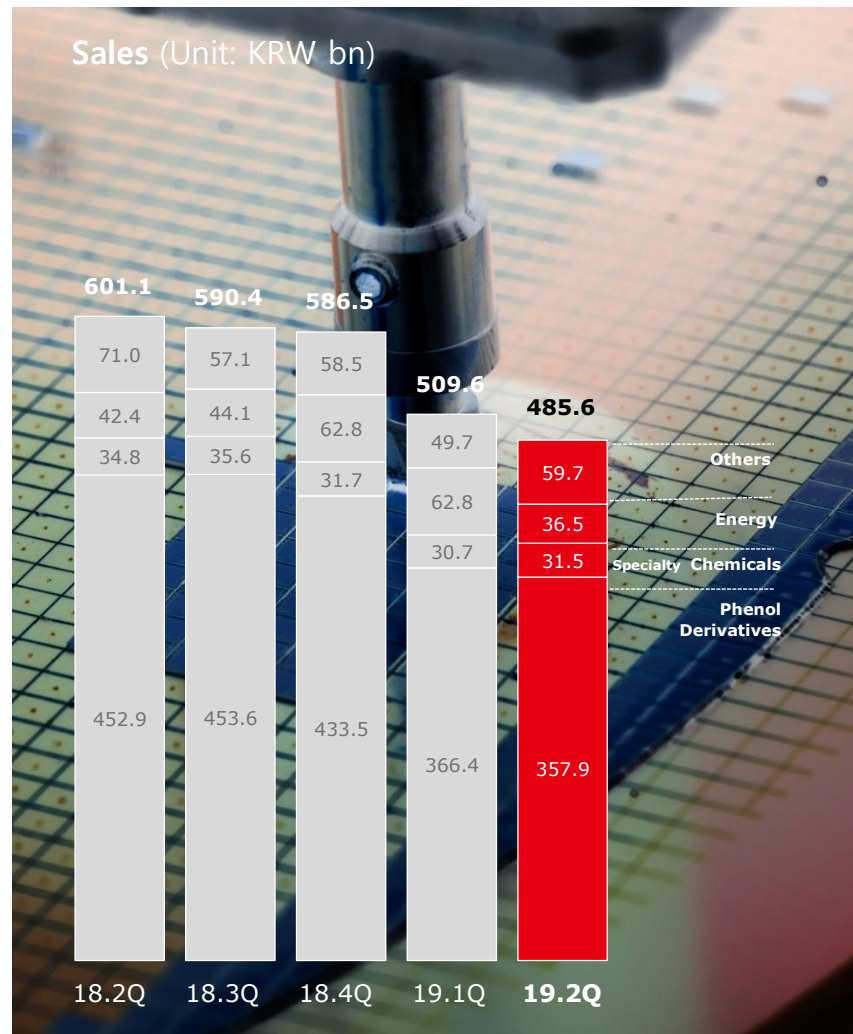


## 2Q Earnings Review

- Phenol derivatives: Slight decrease in profitability due to lower spread caused by sluggish demand.
- Energy: Depreciation in sales and profitability cause by a drop in the electricity price(SMP) and annual shutdown.

## 3Q Outlook

- Phenol derivatives : Spread for main products (Phenol, BPA) is expected to be weak.
- Energy: Sales and profitability will be improved after maintenance.





# Appendix

## Quarterly Performance

(Unit: KRW bn)

| Classification       | 2018    |         |         |         |         | 2019           |         |    |    |                |
|----------------------|---------|---------|---------|---------|---------|----------------|---------|----|----|----------------|
|                      | 1Q      | 2Q      | 3Q      | 4Q      | Total   | 1Q             | 2Q      | 3Q | 4Q | Total          |
| Sales                | 1,339.9 | 1,441.8 | 1,450.6 | 1,352.6 | 5,584.9 | <b>1,275.1</b> | 1,297.1 |    |    | <b>2,572.2</b> |
| Operating Profit     | 165.8   | 153.5   | 151.0   | 84.3    | 554.6   | <b>144.2</b>   | 1,38.9  |    |    | <b>283.1</b>   |
| Net Interest Expense | 13.5    | 23.8    | 12.4    | 13.2    | 62.8    | <b>14.7</b>    | 15.2    |    |    | <b>29.9</b>    |
| Equity Income        | 41.8    | 41.2    | 25.7    | 9.4     | 118.1   | <b>10.2</b>    | 10.4    |    |    | <b>20.6</b>    |
| Pre-tax Income       | 194.2   | 181.1   | 162.4   | 79.2    | 616.9   | <b>143.4</b>   | 150.5   |    |    | <b>294.0</b>   |
| Net Income           | 132.1   | 175.3   | 122.4   | 61.4    | 491.2   | <b>113.9</b>   | 115.2   |    |    | <b>229.1</b>   |

\* Net Income is based on Controlling interests

# Appendix

## Production Capacity (KKPC)

| Classification      | Product      | Capa             | Unit | Note   |
|---------------------|--------------|------------------|------|--|
| Synthetic Rubbers   | SBR          | 256,000          | MT/Y |  |
|                     | B R          | HBR              |      |  |
|                     |              | LBR              |      |  |
|                     | S-SBR        | 63,000           |      |  |
|                     | NdBR         | 60,000           |      |  |
|                     | NBR          | 87,000           |      |  |
|                     | HSR          | 10,000           |      |  |
|                     | NB Latex     | 580,000          |      | Completion of Expansion 154,000MT/Y, 1H, '19 |
|                     | SB Latex     | 82,800           |      |  |
|                     | SBS          | 84,000           |      | Completion of Expansion 45,000MT/Y, 2H, '20  |
|                     | <b>Total</b> | <b>1,560,800</b> |      |  |
| Synthetic Resins    | PS           | 233,000          | MT/Y |  |
|                     | ABS          | 250,000          |      |  |
|                     | SAN/Pwd      | 173,000          |      | Completion of Expansion 16,000MT/Y, 1H, '18  |
|                     | EPS          | 80,000           |      |  |
|                     | PPG          | 141,000          |      |  |
|                     | <b>Total</b> | <b>877,000</b>   |      |  |
| Specialty Chemicals | Antioxidants | 83,900           | MT/Y | Completion of Expansion 4,900MT/Y, 2H, '20   |
| Energy              | Steam        | 1,710            | T/H  |  |
|                     | Electricity  | 300              | MWH  |  |
| BD                  | Ulsan        | 90,000           | MT/Y |  |
|                     | Yeosu        | 147,000          |      |  |
|                     | <b>Total</b> | <b>237,000</b>   |      |  |



# Appendix

## Production Capacity (Affiliates)

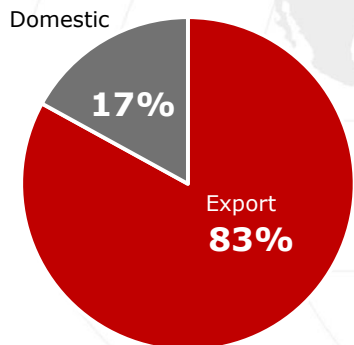
| Classification         | Product      | Capa             | Unit | Note   |
|------------------------|--------------|------------------|------|--|
| Kumho P&B Chemicals    | Phenol       | 680,000          | MT/Y |  |
|                        | Acetone      | 420,000          |      |  |
|                        | MIBK         | 60,000           |      |  |
|                        | Cumene       | 900,000          |      |  |
|                        | BPA          | 450,000          |      |  |
|                        | Epoxy Resin  | 152,000          |      | Completion of Expansion<br>17,000MT/Y, 1Q, '18<br>45,000MT/Y, 2Q, '19  |
|                        | <b>Total</b> | <b>2,662,000</b> |      |  |
| Kumho Mitsui Chemicals | MDI          | 350,000          | MT/Y | Completion of Expansion<br>100,000MT/Y, 2H, '17<br>60,000MT/Y, 2H, '19 |
|                        | Aniline      | 20,000           |      |  |
|                        | <b>Total</b> | <b>370,000</b>   |      |  |
| Kumho Polychem         | EP(D)M       | 220,000          | MT/Y |  |
|                        | TPV/KEPA     | 12,000           |      | Completion of Expansion<br>TPV 5,000MT/Y, 4Q, '17                      |
|                        | <b>Total</b> | <b>232,000</b>   |      |  |



# Appendix

## Sales Breakdown & Export Share by Region

### Synthetic Rubbers



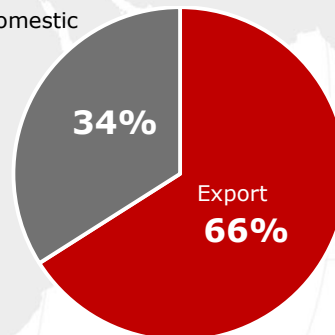
#### Export

|          |     |
|----------|-----|
| S.E.Asia | 49% |
| China    | 20% |
| S.W.Asia | 11% |
| America  | 10% |
| Europe   | 9%  |
| Others   | 1%  |

### Synthetic Resins



Domestic



#### Export

|          |     |
|----------|-----|
| China    | 40% |
| Africa   | 16% |
| Europe   | 13% |
| S.W.Asia | 12% |
| America  | 10% |
| S.E.Asia | 9%  |

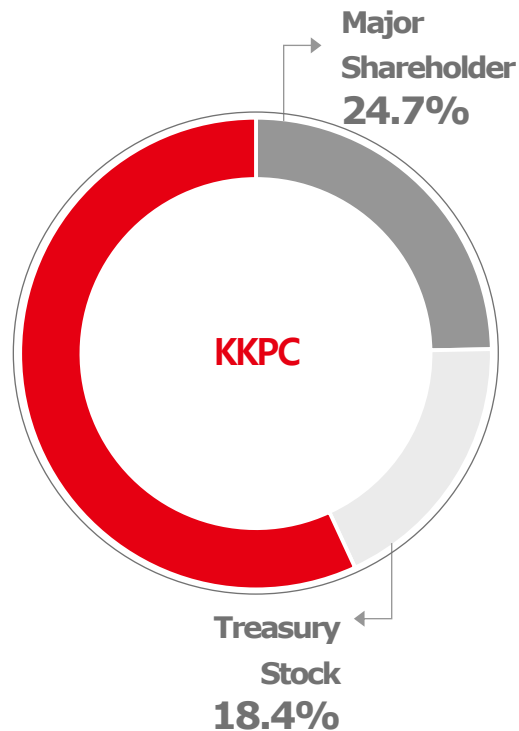


# Appendix

## Investment Shares & Asset available for sale

### Asset available for sale

|                    |              |
|--------------------|--------------|
| Asiana Airlines    | <b>12.0%</b> |
| Daewoo E&C         | <b>3.4%</b>  |
| KDB Life Insurance | <b>0.4%</b>  |



### Investments in Affiliates

|                            |               |
|----------------------------|---------------|
| Kumho P&B Chemicals        | <b>100.0%</b> |
| Kumho Mitsui Chemicals     | <b>50.0%</b>  |
| Kumho Polychem             | <b>50.0%</b>  |
| Kumho Terminal & Logistics | <b>100.0%</b> |
| Korea Energy Power Plants  | <b>96.1%</b>  |

\* As of 30<sup>th</sup> June, 2019,  
based on common shares

**Thank you**

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